



## Administrative Policies and Procedures: 3.12

<b>Subject:</b>	<b>Petty Cash Funds</b>
<b>Authority:</b>	TCA 37-5-105, 37-5-106
<b>Standards:</b>	<b>ACA:</b> 3-JTS-1B-03, 3-JTS-1B-07 , 3-JTS-1B-09; <b>COA:</b> FIN 1; <b>DCS Practice Standard:</b> 8-306
<b>Application:</b>	To All Department of Children's Services Finance and Program Support Employees, Youth Development Center Superintendents, Group Home Supervisors, Directors, and Regional Administrators

### Policy Statement:

Each location of the Department of Children's Services may establish a petty cash fund for the purpose of making payments that cannot be handled expeditiously through other established procedures.

### Purpose:

To establish procedures to ensure that the collection, safeguarding and disbursement of monies comply with applicable internal controls and Department of Finance and Administration policies and rules.

### Procedures:

#### A. Appointment of petty cash custodian

1. Appointment
  - a) The fiscal officer/superintendent/DCS group home supervisor/regional administrator/director or their designee must appoint at least one employee as the custodian of the petty cash fund. A letter will be issued to the employee notifying them of the appointment.
  - b) To appoint a substitute for the designated petty cash custodian, the fiscal officer, DCS group home supervisor, superintendent, regional administrator, or designee must confirm appointment of substitute in writing.
2. Duties

The petty cash custodian **must**:

  - a) Prepare petty cash vouchers,
  - b) Acquire receipts (e.g., sales slip, invoice, etc.) For purchases,
  - c) Maintain the petty cash fund checkbook,
  - d) Keep a petty cash signature file current at all times.
3. Segregation of duties

The petty cash custodian **must not**:

	<ul style="list-style-type: none"> <li>a) Sign the petty cash checks,</li> <li>b) Prepare the monthly bank reconciliation,</li> <li>c) Handle cash receipts or make deposits.</li> </ul>
<b>B. Use of petty cash funds</b>	<ul style="list-style-type: none"> <li>1. Purposes           <p>Petty cash funds may be used for the following purposes:</p> <ul style="list-style-type: none"> <li>a) Small non-recurring expenses in DCS group homes and youth development centers;</li> <li>b) Youth/student allowances In DCS group homes and youth development centers;</li> <li>c) Commissary change fund;</li> <li>d) Transportation tickets for youth trips home when another method is not available;</li> <li>e) Program incentive meals and entertainment for youth and supervisory staff at DCS group homes and youth development centers;</li> <li>f) GED examinations.</li> </ul> </li> <li>2. Limits           <ul style="list-style-type: none"> <li>a) Purchases must not violate the Department of General Services purchasing procedures.</li> <li>b) The authorized balance for the petty cash fund must never be exceeded.</li> <li>c) Non-recurrent purchases must not exceed \$100 or the maximum amount authorized for the account if lower than \$100.</li> <li>d) Program incentive meals and entertainment for youth and supervisory staff members has no set limit but the Director of Group homes must approve the expense in advance.</li> </ul> </li> <li>3. Exceptions           <p>Deviations from the purposes and limits listed above must have written approval from the Executive Director of Finance and Program Support or designee.</p> </li> </ul>
<b>C. Establishment of a petty cash fund or request for increase in petty cash funds</b>	<p>The petty cash fund must be established or increased only as follows.</p> <ul style="list-style-type: none"> <li>1. Justification and analysis           <ul style="list-style-type: none"> <li>a) The fiscal officer/superintendent/DCS group homes supervisor/regional administrator/director or designee who wishes to establish or to increase a petty cash fund must write a letter of justification, including a six-month analysis of transactions to the Executive Director of Finance and Program Support or designee.</li> <li>b) The fiscal officer/superintendent/DCS group homes supervisor/regional administrator/ director or designee must also include information pertaining to the following:</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>◆ Name and address of Bank to be authorized</li> <li>◆ Type of account to be established</li> <li>◆ Account name</li> <li>◆ Purpose of the account</li> <li>◆ name of petty cash custodian</li> <li>◆ Name and title of person reconciling the account</li> <li>◆ All authorized signatures on the account</li> <li>◆ Proposed procedures for the account</li> <li>◆ State whether the account is interest bearing or non-interest bearing</li> <li>◆ Amount requested</li> <li>◆ Detailed description of purpose or justification for the account</li> </ul> <p>2. Authorized balance</p> <p>An authorized balance will be set based on an estimate from the transactions included in the analysis above. The authorized amount will not exceed the estimated dollar amount required for operation for one month.</p> <p>3. Request for authorization and warrant</p> <p>a) If the Executive Director of Finance and Program Support or designee approves the request, the director of accounting services must write a letter to the Chief of Accounts, Division of Accounts, Department of Finance and Administration.</p> <ul style="list-style-type: none"> <li>◆ The letter must state the purpose of the fund and information included in <i>Section B, 1.</i></li> <li>◆ The letter must also include a signature page for the Commissioner of Finance and Administration, The State treasurer, and the Governor of The State of Tennessee.</li> </ul> <p>b) If approved a warrant will be issued to the authorized bank against an account code of the Department of Finance and Administration. The warrant and the official authorization including the signatures of individuals listed above must be received before the bank account is set up.</p> <p>4. Initial deposit</p> <p>When the fiscal officer or designee receives the warrant along with a copy of the authorization, he or she must take it to the bank identified in the authorized request.</p>
<b>D. Monies received</b>	<p>1. Receipts for deposits</p> <p>a) As soon as monies are received, designated staff other than the petty cash custodian must prepare a pre-numbered receipt for each deposit made to the fund. If possible another designated staff should make the deposit.</p>

	<ul style="list-style-type: none"> <li>b) All checks should be listed separately on a deposit receipt.</li> <li>c) After receipting the money and the deposit is made, a copy of the receipts and deposit slip must be given to the petty cash custodian for recording in the check book.</li> </ul> <p>2. Endorsement of received checks</p> <p>Checks must be restrictively endorsed "<b><u>For Deposit Only</u></b>," (plus the name of the account) as soon they are received.</p> <p>3. Direct deposits</p> <p>Receipts are not required for direct deposits to the petty cash account.</p>
<b>E. Monies paid out</b>	<p>1. Vouchers</p> <ul style="list-style-type: none"> <li>a) The petty cash custodian must prepare a pre-numbered petty cash voucher form <b><i>FA-0629, Petty Cash Voucher</i></b> for each petty cash expenditure and send it for approval to fiscal officer/superintendent/DCS group home supervisor/regional administrator/director or designee and to the individual who is using the fund. Both signatures must be obtained on each voucher prepared.</li> <li>b) The petty cash custodian must attach a receipt for each purchase (e.g., sales slip, invoice, etc.) to its petty cash fund voucher.</li> </ul> <p>2. Checks</p> <ul style="list-style-type: none"> <li>a) Checks for petty cash purchases must be written to the vendor or to the employee making the purchase.</li> <li>b) The petty cash custodian must write the check for a specific amount.</li> <li>c) The petty cash custodian must ensure that the check is signed with two currently approved signatures (not the petty cash custodian's or the payee's)</li> <li>d) The statement "<b><u>Two signatures required</u></b>" and "<b><u>void if not cashed after 180 days</u></b>" must be imprinted on all checks.</li> <li>e) The employee making the purchase (the payee) must not sign the check.</li> </ul>
<b>F. Checkbook maintenance</b>	<p>To maintain the checkbook, the petty cash custodian must:</p> <ul style="list-style-type: none"> <li>1. Secure a copy of the deposit slip as soon as the deposit is made, enter the deposits in the checkbook register, and add them to the balance.</li> <li>2. At the time the check is written, enter the amount of each check issued in the checkbook register and deduct it from the balance.</li> <li>3. Use ink for all checks written and all entries in the checkbook register.</li> <li>4. Note "<b><u>VOID</u></b>" across the front of all voided checks and retain them in paid check sequence for audit purposes.</li> <li>5. Thoroughly explain any adjustment to the checkbook balance.</li> </ul>

<b>G. Fund reimbursement</b>	<ol style="list-style-type: none"> <li>1. Based on need The petty cash fund must be reimbursed as needed or once a month.</li> <li>2. Reconciliation prior to reimbursement Each time the fund is reimbursed, the petty cash custodian must reconcile the fund: <ul style="list-style-type: none"> <li>◆ The total of cash on hand plus outstanding petty cash vouchers must equal the authorized fund balance.</li> <li>◆ A request is then prepared and sent to central office, Finance and Program Support Division for processing.</li> </ul> </li> <li>3. Voucher registers at youth development centers <ol style="list-style-type: none"> <li>a) To request reimbursement, the petty cash custodian at a youth development center must prepare a reconciliation of cash on hand plus outstanding petty cash vouchers to authorized amount and submit to fiscal officer or designee for a voucher register to be prepared with the following information for each voucher: <ul style="list-style-type: none"> <li>◆ The allotment code of the location,</li> <li>◆ The proper cost center to be charged, and</li> <li>◆ The proper object code.</li> </ul> </li> <li>b) The fiscal officer or designee must send the register to the Central Office, Finance and Program Support Division for processing.</li> </ol> </li> <li>4. Requests from DCS group homes DCS group homes designated staff must forward a request for reimbursement to the Central Office Finance and Program Support Services Division.</li> </ol>
<b>H. Monthly reconciliation</b>	<ol style="list-style-type: none"> <li>1. Preparation <ol style="list-style-type: none"> <li>a) Every month, designated staff other than the petty cash custodian must reconcile the bank account statement, the checkbook balances, and the authorized fund balance.</li> <li>b) The bank account statement must not be opened until it is delivered to the staff reconciling the account.</li> <li>c) The envelope must be date stamped with the date that the bank statement was received.</li> <li>d) The reconciliation must be performed five (5) business days after the receipt of the bank statement.</li> </ol> </li> <li>2. Review and signature <ol style="list-style-type: none"> <li>a) The designated staff preparing the reconciliation and the petty cash custodian of the account must sign and date the reconciliation report.</li> <li>b) Designated staff not involved in the petty cash process must review, sign and date the reconciliation.</li> </ol> </li> </ol>

	<p>3. Overages/shortages</p> <ul style="list-style-type: none"><li>a) The petty cash custodian must immediately report any overages or shortages in the petty cash fund to his/her supervisor. The supervisor must notify the Director of Finance and Program Support, Director of Internal Audit and Director of Fiscal Services for Division of Juvenile Justice. The Director of Internal Audit must immediately report any shortage to the Comptroller of the Treasury.</li><li>b) A thorough investigation must be conducted by the Director of Internal Audit. The Director of Internal Audit will report the result of the investigation to the Comptroller of the Treasury.</li><li>c) By the 25<sup>th</sup> of the month following the month of activity, the fiscal officer or designee will forward copies of the reconciliation and bank statement to Central Office Finance and Program Support Division.</li></ul>
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<b>Forms:</b>	<i>None</i>
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<b>Collateral documents:</b>	<i>None</i>
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